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Global Credit Weekly:

Sponsor activity broadens

BlackRock

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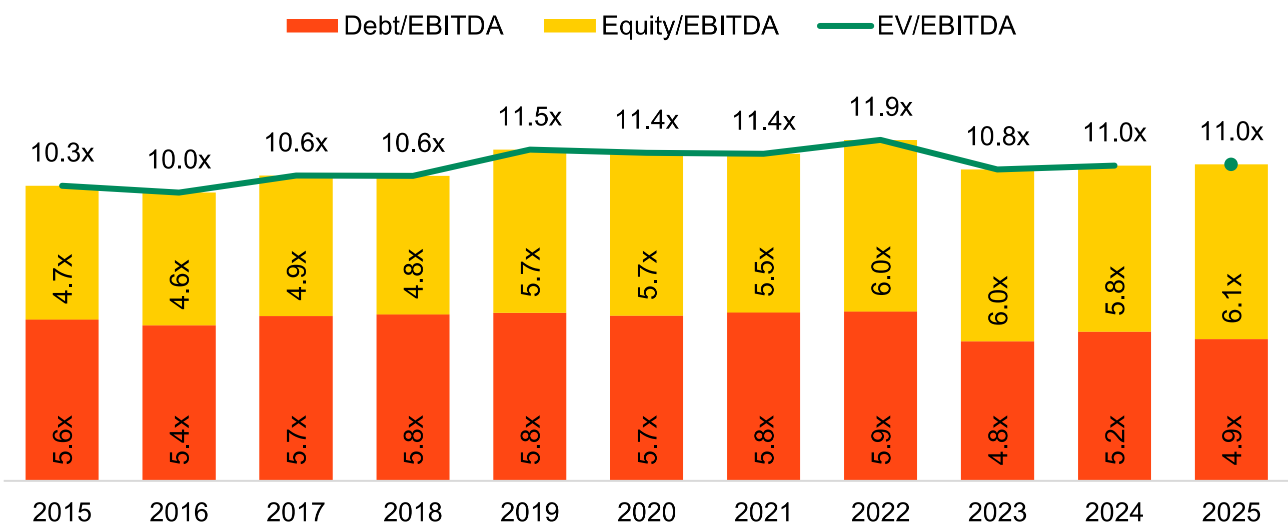
Key takeaways

- One of the most notable takeaways from 3Q2025 U.S. large cap bank earnings was the optimism regarding a continued acceleration in capital markets activity. Management teams noted an "upbeat tone," alongside building advisory/underwriting backlogs (some at multi-year highs), a "good enough" interest rate environment, and a more favorable regulatory backdrop.
- But the various *types* of M&A have been recovering at different paces. For example, strategic deals (i.e., transactions between corporates) started gaining momentum in late 2023 / early 2024, as management teams refocused on their longer-term business objectives and moved forward, despite higher interest rates. More recently, sponsor-related activity – where financing costs are arguably a larger consideration of the economic calculus – has accelerated. This is driven, in our view, by 'solid enough' economic growth, somewhat easier financial conditions (following rate cuts from the Federal Reserve and European Central Bank), incremental clarity on the policy backdrop, and the well-telegraphed trend of aging private equity (PE) inventories.
- Financial sponsor activity is especially relevant for investors in the broadly syndicated leveraged loan (BSL) and private credit markets, given their roles in financing such transactions. We see scope for the share of sponsor-related M&A (relative to overall deal-making) to increase – especially in the U.S.
- U.S. PE activity still skews toward larger 'megadeals,' but it appears to be broadening. European PE activity is considerably more diversified across the size spectrum. Across both regions, data suggests that PE exit activity is expanding to capture a wider set of sponsored assets. In our view, this diversification is a critical ingredient for a broad-based recovery in the PE exit environment. Fundamental metrics also appear solid. As Exhibit 1 highlights, the debt/EBITDA ratios for 2025 leveraged buyouts (LBOs) funded in the USD BSL market are tracking toward the low end of the historical range, driven in part by a larger share of equity financing.

Exhibit 1: Leverage for a subset of 2025 LBOs is tracking towards the low end of the range
Multiples and leverage levels for LBOs funded in the USD BSL market



Source: PitchBook LCD, BlackRock. Captures data through September 30, 2025.

Checking in on sponsored deal activity, amid capital markets optimism

One of the most notable takeaways from 3Q2025 U.S. large cap bank earnings was the optimism regarding a continued acceleration in capital markets activity, such as M&A, IPOs, and debt/equity underwriting. Within the broad category of M&A activity, the various *types* of deal-making have been recovering at different paces. For example, strategic deals (i.e., transactions between corporates) started gaining momentum in late 2023, as management teams refocused on their longer-term business objectives.

More recently, sponsor-related activity – where financing costs are arguably a larger consideration of the economic calculus – has accelerated. This is driven, in our view, by 'solid enough' economic growth, somewhat easier financial conditions, incremental clarity on the policy backdrop, and the well-telegraphed trend of aging private equity (PE) inventories.

Over the first nine months of 2025 (9M2025), North American sponsored M&A volumes represented 38% of overall activity. We see scope for this to increase into the mid-40s (closer to the 2020-2022 pace), if overall capital markets activity remains robust (again, given the elevated age of PE inventories). In Europe, sponsored M&A volume represented 39% of 9M2025 activity, already notably above the 2023-2024 average of 35%, and largely consistent with the average pace across 2020-2022.

Exhibit 2: North American sponsored M&A represented 38% of total activity in 9M2025

Announced sponsor and strategic M&A volume in North America, and sponsored share of the total (RHS)

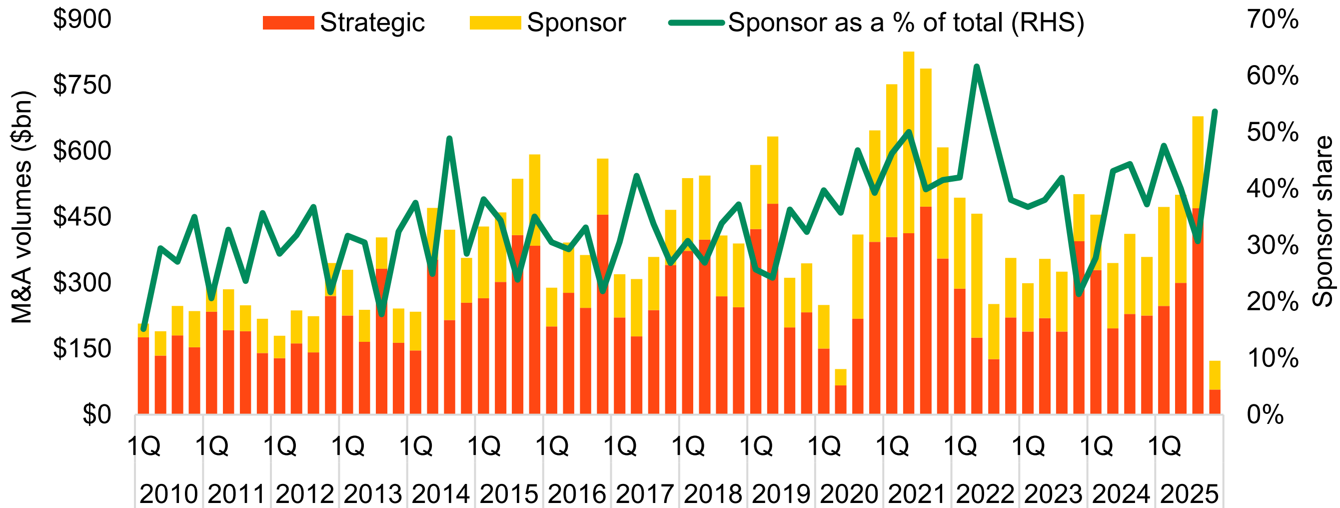
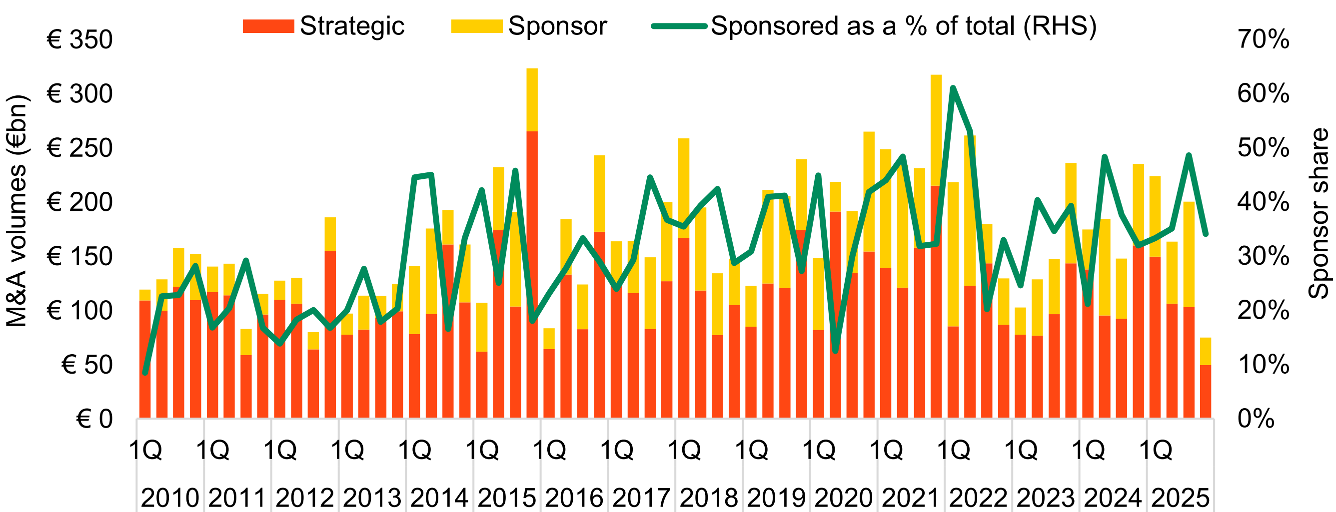


Exhibit 3: European sponsored M&A generated 39% of total activity in 9M2025

Announced sponsor and strategic M&A volume in Europe, and sponsored share of the total (RHS)



For both charts: Source: Dealogic (ION Analytics), BlackRock. 4Q2025 as of October 21, 2025. Sponsor-related transactions are those that include a financial sponsor on either side (as buyer or seller). Captures deals valued at 100 million USD/EUR (as applicable) or more, at announcement. Excludes canceled and withdrawn deals.

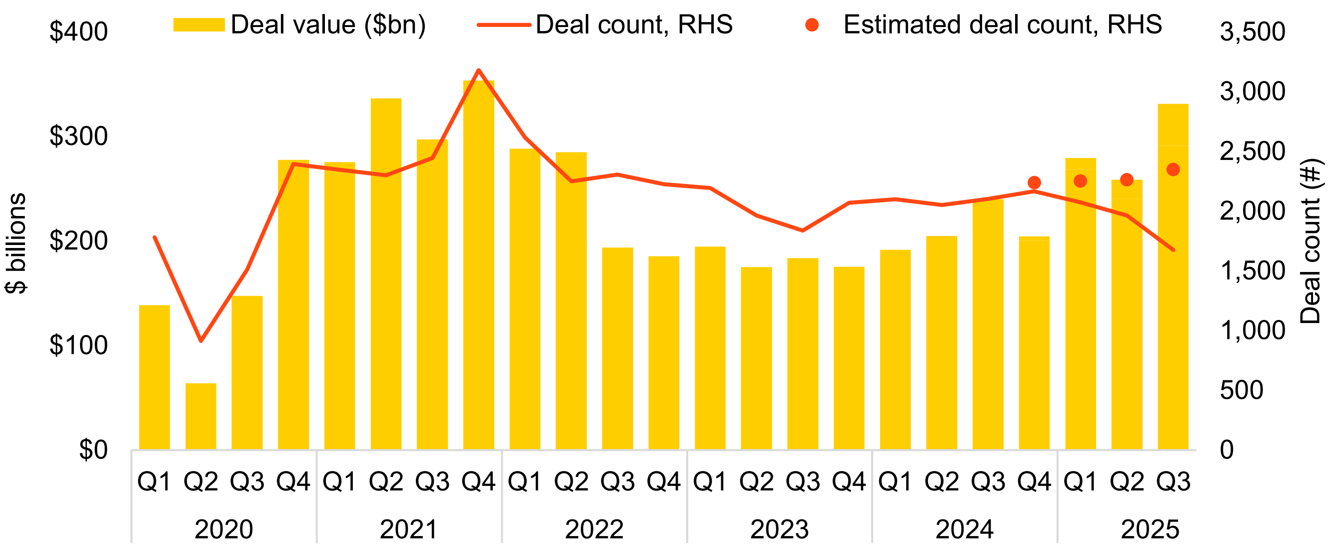
U.S. PE activity still favors 'megadeals,' but appears to be broadening

A closer look at U.S. PE deal activity, using data compiled by PitchBook LCD (alongside their estimates for recent transactions), shows 3Q2025 deal values rose 28% quarter-over-quarter (QoQ) and 38% year-over-year (YoY; Exhibit 4). Year-to-date (YTD) aggregate deal values (1Q-3Q2025) have already surpassed *full-year* totals from 2023 and 2024.

Further, the count of deals in 3Q2025, again including PitchBook LCD's estimates, reached its highest level since 1Q2022, an encouraging sign that dealmaking activity may be broadening to include smaller companies. We believe this expansion across deal sizes will be critical to a more balanced and sustained recovery in PE activity.

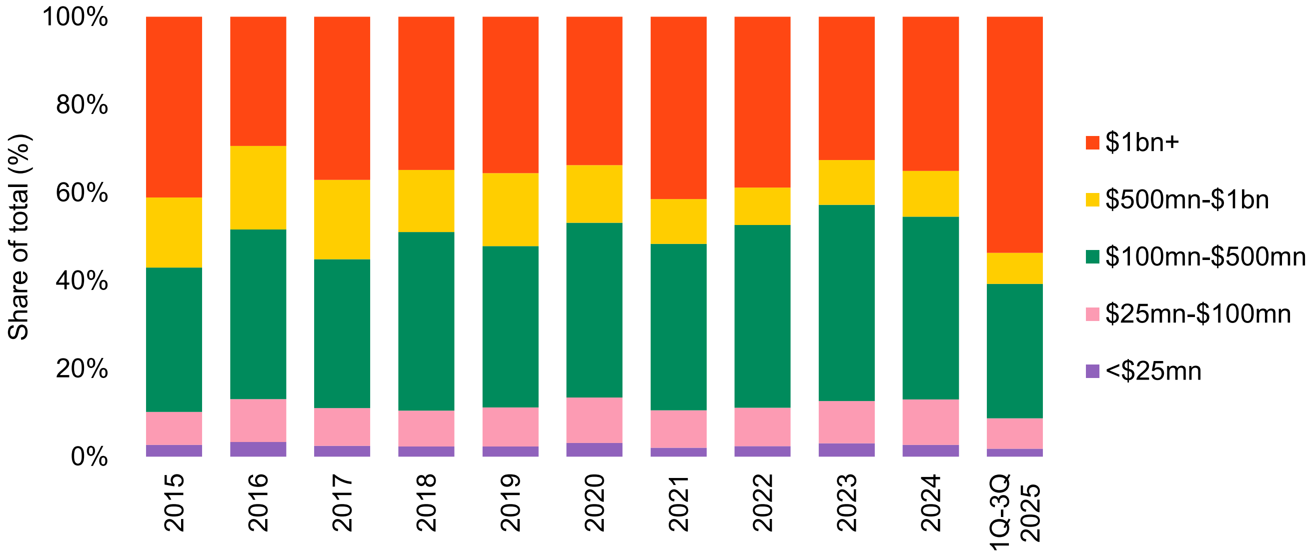
That said, YTD activity has still been skewed toward large deals, with 'megadeals,' defined as those of $1 billion or more, representing over 53% of volume (Exhibit 5). Looking ahead, we expect that continued deal momentum, supported by incremental clarity on the macro backdrop and potentially lower (though still structurally elevated) borrowing costs, could support continued momentum in sponsor-related activity.

Exhibit 4: U.S. PE deal activity accelerated in 3Q2025, and we see scope for this to continue
U.S. private equity deal activity by quarter, and by deal count (RHS)



Source: PitchBook LCD, BlackRock. As of 3Q2025. 4Q2024-3Q2025 include estimated deal activity, per PitchBook LCD. **There is no guarantee any forecasts may come to pass.**

Exhibit 5: U.S. PE deal activity in 9M2025 was skewed toward larger borrowers
Share of U.S. private equity deal value, by deal size bucket



Source: PitchBook LCD, BlackRock. As of 3Q2025.

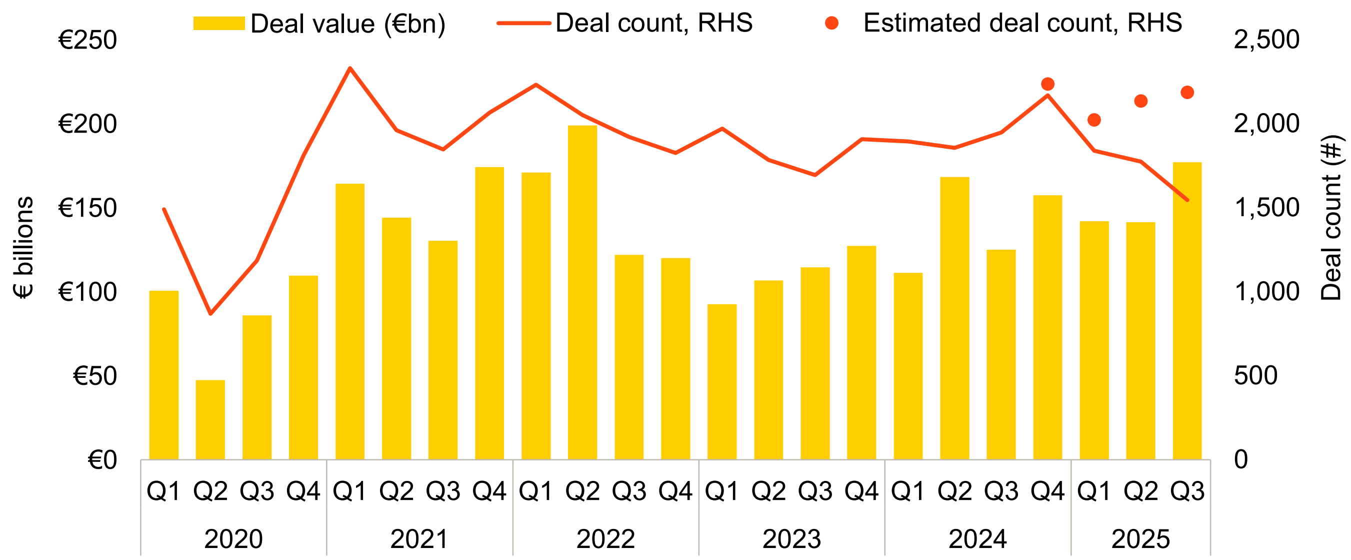
European PE activity accelerated in 3Q2025

The third quarter marked a notable shift in the European sponsored deal landscape. Supported by the cumulative impact of the ECB's prior rate cuts, incremental clarity on trade policy, and expectations of a boost from future fiscal spending plans, private equity deal value accelerated in the third quarter, rising 25% QoQ and 42% YoY (Exhibit 6). Deal counts, including estimates, also continued to edge higher.

Though unlike the U.S., where PE activity has skewed toward larger businesses YTD, European PE activity remains considerably more diversified across deal sizes (Exhibit 7). Even so, the 'megadeal' segment, defined as deals valued above €1 billion, has expanded modestly in recent years, increasing its share of total volume since 2023 to reach 32% of deals YTD in 2025. Notably, several of the largest 'megadeals' were completed in the third quarter.

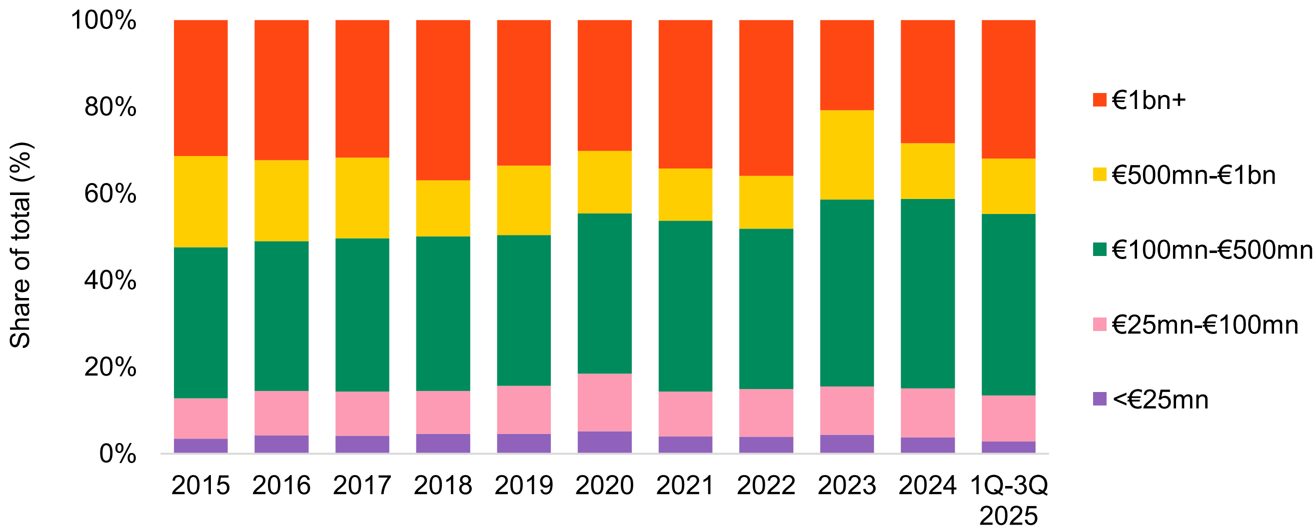
Looking ahead, we see scope for continued resilience in deal activity, assuming macroeconomic stability endures, and financial conditions remain supportive. As we noted in our *4Q2025 Global Credit Outlook*, we believe the ECB has completed its rate cutting objectives for this cycle (after delivering 200bp of cuts).

Exhibit 6: European PE deal activity accelerated in the third quarter
European private equity deal activity by quarter, and by deal count (RHS)



Source: PitchBook LCD, BlackRock. As of 3Q2025. **There is no guarantee any forecasts may come to pass.**

Exhibit 7: 9M2025 European PE deals were more diversified across size buckets vs. the U.S.
Share of European PE deal value, by deal size bucket



Source: PitchBook LCD, BlackRock. As of 3Q2025.

3Q2025 data suggests PE exits may be broadening

As we've noted previously, exit activity remains a key barometer to watch for *credit* investors, as it often paves the way for new financing opportunities in the private credit and broadly syndicated loan markets.

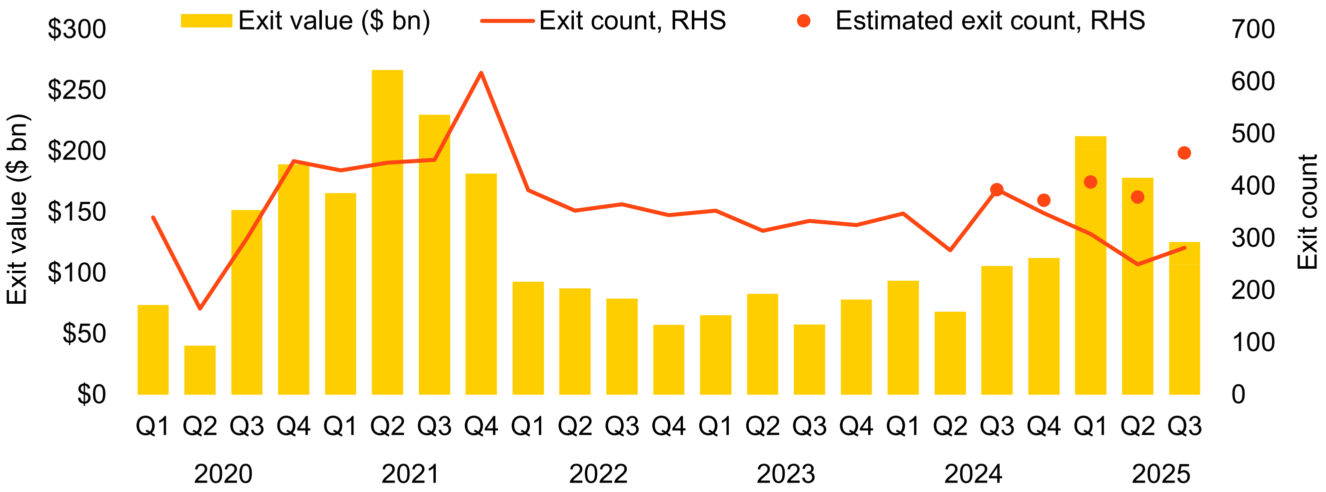
In the U.S., private equity exit values were strong in 1Q2025, though the comparatively modest exit counts suggest that activity was concentrated among the largest and highest-quality assets amid market volatility. Exit values have since declined for two consecutive quarters (Exhibit 8). Even so, U.S. PE exit counts rose 22% QoQ in 3Q2025, indicating that exit activity may be broadening across a wider set of sponsored assets.

In Europe, PE exit values grew 80% QoQ, marking their highest quarterly value since 3Q2023. Deal counts also rose, reaching the strongest exit count on record since 2020 (Exhibit 9).

The broadening base of PE exit activity in both regions, reflected by a rise in deal counts, suggests that exits are extending beyond the largest and most valuable assets. In our view, this diversification is a critical ingredient for a broad-based recovery in the PE exit environment.

Exhibit 8: PE exit counts rose in 3Q2025, despite declines in exit values

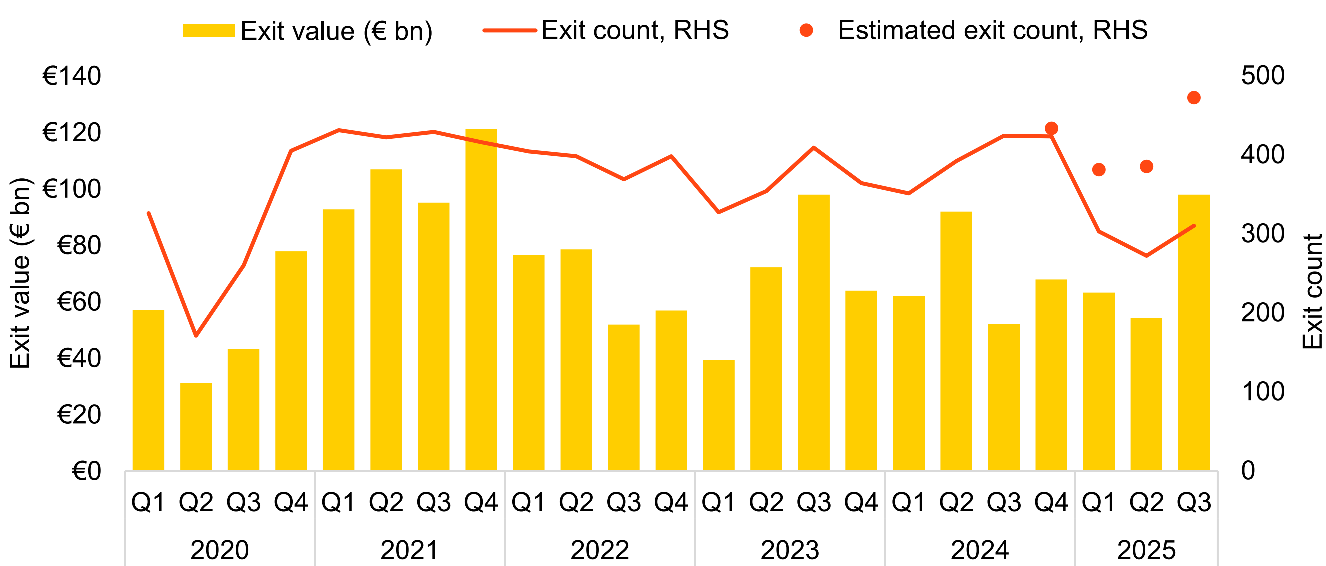
Quarterly U.S. private equity exit activity, by value and exit count



Source: Pitchbook LCD, BlackRock. As of 3Q2025. Includes PitchBook LCD estimates for 4Q2024 - 3Q2025. **There is no guarantee any forecasts may come to pass.**

Exhibit 9: European PE exit values grew 80% QoQ and 88% YoY

Quarterly European private equity exit activity, by value and exit count



Source: PitchBook LCD, BlackRock. As of 3Q2025. Includes PitchBook LCD estimates for 4Q2024 - 3Q2025. **There is no guarantee any forecasts may come to pass.**

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